



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

November 7, 2005

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending September 30, 2005. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary A. Lannoye".

Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
John Burchett, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2005
Projected Revenues and Expenditures
September 30, 2005
(\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ -
Revenues, Current Law:	
Current Year GF/GP Revenues, Special August 2005 Consensus Estimate	\$ 7,994.0
Adjustments to Consensus Baseline - September 2005 Revenue	\$ 93.3
Adjusted Current Year GF/GP Revenue Baseline	\$ 8,087.3
Additional Revenue Adjustments:	
Revenue Sharing Reductions (PA 355 of 2004 and August 2005 Consensus)	\$ 324.0
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 182.3
Sale of Northville (PA 6 of 2002) - deposit funds	\$ 3.2
Interfund Borrowing Rates	\$ 20.0
Judiciary Technology Improvement Fund (PA 466 of 2004)	\$ 1.5
Juror Compensation Fund Balance deposited to General Fund (PA 465 of 2004)	\$ 4.0
Comprehensive Transportation Fund - reduce and lapse to General Fund (PA 544 of 2004)	\$ 10.0
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
General Tobacco Settlement revenue deposited to General Fund	\$ 7.0
Proceeds from Land Sales	\$ 12.8
Budget Stabilization Fund (SB 438)	\$ 81.3
Escheats Enforcement	\$ 2.5
MCI-WorldCom Settlement	\$ 15.1
Subtotal of Additional Revenue Adjustments	\$ 673.7
Total FY Resources Available For Expenditure GF/GP	\$ 8,761.0
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,751.0
Enacted Supplemental (PA 468 of 2004)	\$ 0.2
Enacted School Aid Supplemental (PA 518 of 2004)	\$ 99.5
Executive Order 2005-7	\$ (295.0)
Enacted Supplemental (PA 11 of 2005)	\$ 40.0
Enacted Higher Education Supplemental (PA 11 of 2005)	\$ 16.5
Enacted Higher Education Supplemental (PA 11 of 2005)	\$ 13.5
Enacted Supplemental (PA 109 of 2005)	\$ 57.3
Total Enacted	\$ 8,683.0
Anticipated Expenditure Adjustments	
Lapse Building Occupancy Charges - DMB (PA 327 of 2004, sec. 720)	\$ (0.7)
Liquor Purchase Revolving Fund additional lapse - DLEG (EO 2005-7)	\$ (0.9)
Total Expenditures Projected	\$ 8,681.4
Projected Ending Balance, September 30, 2005	\$ 79.6

¹ Subsequent to the date of this report, the State of Michigan is in the process of determining unexpended balances for various state agencies as part of accounting transactions for the fiscal year ending September 30, 2005. Final agency lapses will be included in the Comprehensive Annual Financial Report scheduled for release in December 2005.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2005 Projected Revenues and Expenditures September 30, 2005 (\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ 74.1
Current Year School Aid Fund Revenues, August 2005 Consensus	\$ 10,840.3
Adjustments to Consensus Baseline	
Payment in Lieu of Taxes Adjustment (PA 513 of 2004)	\$ (2.0)
FY04 Audit Receivables Adjustment	\$ (4.2)
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 10,834.1
Proceeds of Capitalization of the School Bond Loan Fund Revolving Fund (PA 98 of 2005)	\$ 41.1
Appropriation from GF/GP	\$ 165.2
Supplemental Appropriation from GF/GP (PA 518 of 2004)	\$ 99.5
Executive Order 2005-7	\$ (99.5)
	<u>\$ 165.2</u>
Federal Aid	\$ 1,353.6
Total Available SAF Resources	\$ 12,468.1
Expenditures	
Enacted Appropriations PA 351 of 2004	\$ 12,527.5
Executive Order 2005-7 - General Fund Authorization Decrease	\$ (99.5)
Supplemental Appropriation (PA 98 of 2005)	\$ 39.1
	<u>\$ (60.4)</u>
Adjusted Appropriations	\$ 12,467.1
Projected School Aid Fund Ending Balance September 30, 2005	\$ 1.0 ¹

¹ Subsequent to the date of this report, the State of Michigan is in the process of determining unexpended balances for various state agencies as part of accounting transactions for the fiscal year ending September 30, 2005. Final agency lapses will be included in the Comprehensive Annual Financial Report scheduled for release in December 2005.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES

GENERAL FUND GROSS

September 30, 2005

(\$ IN MILLIONS)

FISCAL YEAR 2003-04

FISCAL YEAR 2004-05

September 2004	Yr-to-date 2003-04	Fiscal Yr end SEP 30, 2004	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc September 2005	Exp & Enc Yr-to-date 2004-05
10.5	95.7	95.7	Agriculture	126.1	0.5	9.8	93.6
6.2	51.3	51.3	Attorney General	62.0	1.1	6.4	57.4
7.5	252.3	252.3	Capital Outlay	0.0	585.4	9.5	291.2
1.4	12.4	12.4	Civil Rights	12.7	0.1	0.7	12.3
2.5	20.3	20.3	Civil Service	35.1	-0.2	2.8	25.3
8.8	1,826.0	1,826.0	Colleges & Universities	1,942.3	-23.7	0.1	1,909.7
657.8	9,342.1	9,342.1	Community Health	9,996.4	455.6	823.7	9,808.9
165.6	1,593.5	1,593.5	Corrections	1,768.7	-17.3	174.5	1,682.4
6.0	67.3	67.3	Education	99.9	3.4	5.5	78.8
18.3	164.9	164.9	Environmental Quality	296.0	5.9	18.6	178.5
0.5	4.8	4.8	Executive Office	5.2	0.0	0.5	5.0
2.9	54.2	54.2	History, Arts & Library	57.1	2.0	2.7	53.9
284.7	3,716.2	3,716.2	Human Services	4,287.4	1.7	274.1	3,929.5
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
13.6	208.4	208.4	Judiciary	253.2	2.2	12.6	207.0
61.6	678.1	678.1	Labor & Economic Growth	835.8	11.0	70.3	719.9
14.2	126.5	126.5	Legislature	126.7	0.0	13.0	131.2
12.4	145.8	145.8	Management & Budget	156.9	13.0	13.9	151.9
8.9	97.5	97.5	Military Affairs	105.5	6.2	10.5	102.6
10.0	69.7	69.7	Natural Resources	95.0	2.4	7.4	74.4
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
20.3	182.5	182.5	State	187.2	36.6	24.4	215.3
42.2	378.2	378.2	State Police	475.8	13.2	46.1	427.4
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
48.0	1,675.9	1,675.9	Treasury	1,520.4	116.0	59.0	1,528.7
\$1,403.9	\$20,763.6	\$20,763.6		\$22,445.4	\$1,215.3	\$1,586.1	\$21,684.9

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2005
September, 2005
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,456.7	40.4	15,497.1
Total state spending from state resources	25,904.2	378.1	26,282.3
Percentage of state spending from state resources paid to local units	59.67%		58.96%
Required payments to local units (48.97%)	12,685.3		12,870.4
Surplus/(deficit)	\$2,771.4		\$2,626.7

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>1,259</u>
Total Revenues	<u>1,259</u>

EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under)	
Expenditures	<u>1,259</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	<u><u>\$ 1,259</u></u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Program fees	1,654
Other	-
Total miscellaneous	<u>1,654</u>
Total Operating Revenues	<u>1,654</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	89
Total other operating expenses	<u>89</u>
Total Operating Expenses	<u>89</u>
Operating Income (Loss)	<u>1,565</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	149
Other nonoperating revenue	-
Total other nonoperating revenues	<u>149</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>149</u>
Income (Loss) Before Operating Transfers	<u>1,714</u>

OPERATING TRANSFERS

Operating transfers from primary government	-
Operating transfers to primary government	<u>(1,636)</u>
Total Operating Transfers In (Out)	<u>(1,636)</u>
Net Income (Loss)	<u>\$ 77.00 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>83,009</u>
Total Revenues	<u>83,009</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	2,506
Capital outlay	<u>20,124</u>
Total Expenditures	<u>22,629</u>
Excess of Revenues over (under) Expenditures	<u>60,380</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	245
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,050)</u>
Total Other Financing Sources (Uses)	<u>(9,805)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 50,574 ¹</u>

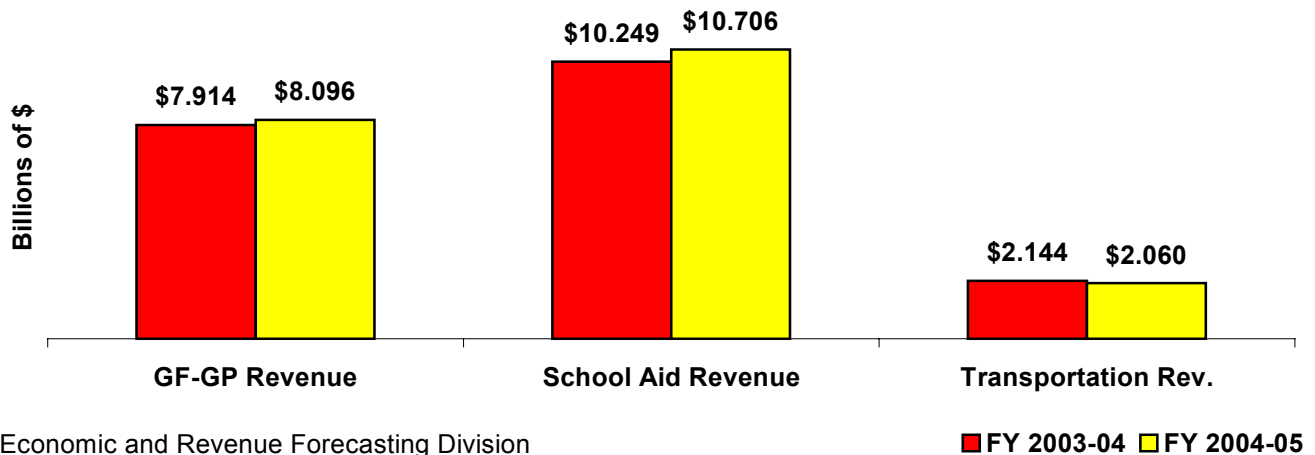
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for September 2005, representing some August and some September economic activity in Michigan.

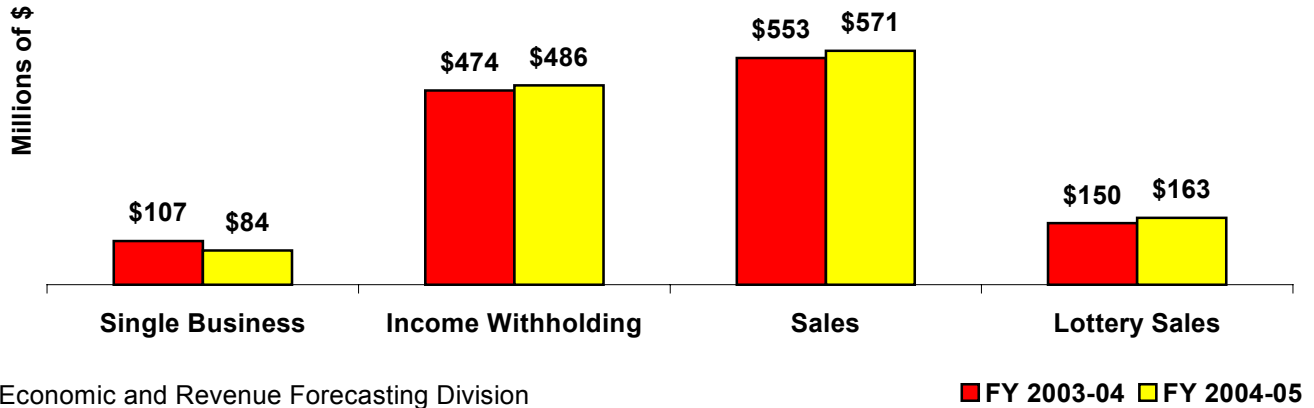
Total General Fund - General Purpose cash collections were \$113.8 million (17.0 percent) higher in September 2005 than in September 2004. The increase is due in part to the state receiving larger than normal estate tax collections. September School Aid Fund cash collections were \$34.4 million (3.0 percent) higher than in September 2004. September transportation collections were \$2.9 million (1.7 percent) lower than in September 2004 (see revenue table). September is the twelfth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$181.4 million (2.3 percent) from a year ago. School Aid Fund cash collections are up \$456.8 million (4.5 percent), and transportation collections are down \$83.1 million (3.9 percent). School Aid Fund collections have been affected by the change in the timing and tax rate of state education tax (SET) payments. Excluding SET payments, School Aid Fund collections are up 2.3 percent from a year ago.

The FY 2004-2005 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on August 17, 2005. The Consensus estimate for net General Fund – General Purpose revenue for FY 2004-2005 is \$7,994.0 million and the net School Aid revenue forecast is \$10,840.3 million. The Transportation Funds revenue forecast is \$2,191.4 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2006.

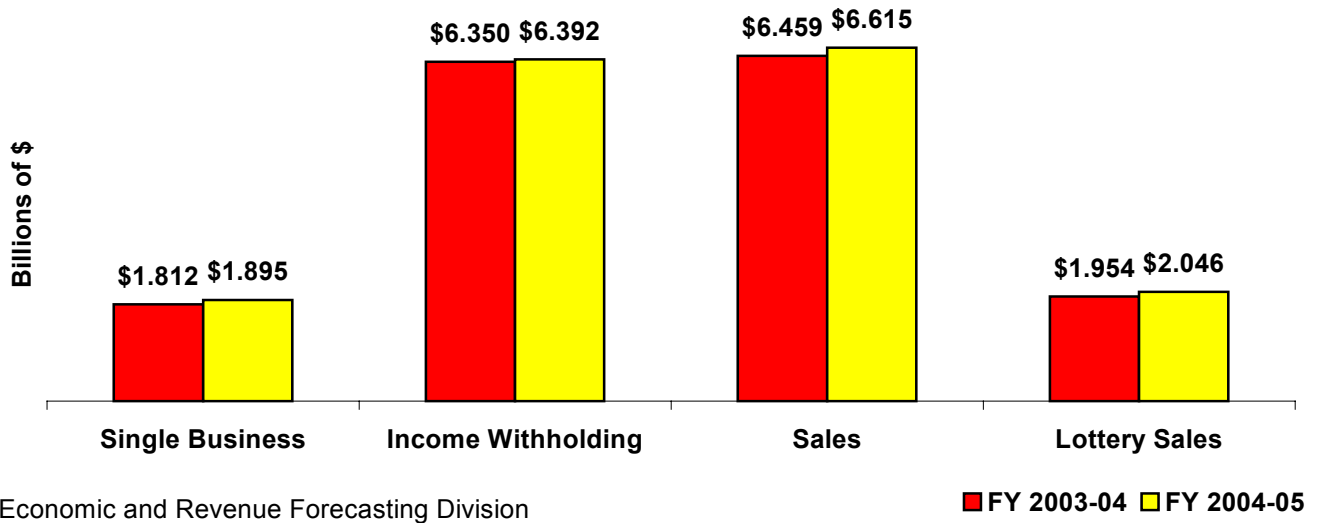
**October through September Collections
Fiscal Years 2003-04 and 2004-05**



September Revenue Collections Fiscal Years 2003-04 and 2004-05



October through September Collections Fiscal Years 2003-04 and 2004-05



Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: September 30, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
September		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005	
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	August Consensus	
Income Taxes												
\$474,456	\$486,400	\$11,943	2.5%	Withholding	\$6,350,221	\$6,392,340	\$42,118	0.7%	\$6,365,100	\$6,568,700	\$6,404,500	
136,480	150,039	13,558	9.9%	Quarterlies	602,042	642,070	40,028	6.6%	601,800	626,600	637,200	
9,275	10,506	1,231	13.3%	Annuals	494,614	638,255	143,641	29.0%	499,800	501,800	634,700	
620,211	646,944	26,733	4.3%	Gross Collections	7,446,878	7,672,665	225,787	3.0%	\$7,466,700	\$7,697,100	\$7,676,400	
40,096	20,282	(19,814)	-49.4%	Less: Refunds	1,553,312	1,649,393	96,081	6.2%	1,594,200	1,674,800	1,660,700	
0	0	0	na	State Campaign Fund	0	0	0	na	1,400	1,500	1,500	
580,115	626,662	46,547	8.0%	Net Personal Income	5,893,565	6,023,272	129,706	2.2%	\$5,871,100	\$6,020,800	\$6,014,200	
155,053	161,736	6,683	4.3%	Less: Disbursements to SAF	1,861,719	1,918,166	56,447	3.0%	\$1,893,400	\$1,996,500	\$1,992,300	
\$425,062	\$464,926	\$39,863	9.4%	NET PERSONAL INCOME TO GF-GP	\$4,031,846	\$4,105,106	\$73,260	1.8%	\$3,977,700	\$4,024,300	\$4,021,900	
Consumption Taxes												
\$7,479	\$7,920	\$441	5.9%	Sales (a)	\$85,314	\$89,169	\$3,855	4.5%	\$102,200	\$119,800	\$107,600	
75,606	91,439	15,833	20.9%	Use	874,199	931,262	57,062	6.5%	877,400	885,800	923,700	
10,680	11,688	1,008	9.4%	Tobacco	257,482	123,396	(134,085)	-52.1%	242,700	119,000	117,500	
4,499	5,172	673	15.0%	Beer, Wine & Mixed Spirits	51,573	51,607	34	0.1%	51,500	52,000	52,000	
2,626	3,310	684	26.1%	Liquor Specific	30,072	31,213	1,141	3.8%	33,000	31,600	33,500	
\$100,890	\$119,529	\$18,639	18.5%	TOTAL CONSUMPTION TAXES	\$1,298,640	\$1,226,647	(\$71,992)	-5.5%	\$1,306,800	\$1,208,200	\$1,234,200	
Other Taxes												
\$106,984	\$83,632	(\$23,352)	-21.8%	Single Business	\$1,811,903	\$1,894,529	\$82,626	4.6%	\$1,827,600	\$1,917,500	\$1,885,700	
546	1,680	1,134	208.0%	Insurance Premiums Taxes	233,120	241,083	7,964	3.4%	230,300	261,000	236,300	
107,530	85,312	(22,218)	-20.7%	Sub-total SBT & Insurance	2,045,023	2,135,612	90,590	4.4%	2,057,900	2,178,500	2,122,000	
3,582	77,144	73,562	2054.0%	Inheritance / Estate	81,362	106,755	25,394	31.2%	75,500	34,000	30,000	
106	26	(80)	-75.3%	Telephone & Telegraph	113,540	98,303	(15,237)	-13.4%	101,300	120,600	97,300	
5,421	5,642	222	4.1%	Oil & Gas Severance	49,136	64,139	15,003	30.5%	57,100	50,000	65,000	
0	3,212	3,212	na	Casino Wagering	0	43,962	43,962	na	3,200	42,900	42,500	
9,865	9,878	13	0.1%	Penalties & Interest	111,268	116,424	5,157	4.6%	104,400	110,000	108,500	
87	54	(33)	-38.3%	Miscellaneous Other/Railroad	1,161	1,232	70	6.0%	3,200	3,000	0	
(7,083)	(6,667)	417	-5.9%	Treasury Enforcement Programs	(85,000)	(80,000)	5,000	-5.9%	(81,600)	(80,000)	(80,000)	
\$119,507	\$174,602	\$55,095	46.1%	TOTAL OTHER TAXES	\$2,316,490	\$2,486,428	\$169,938	7.3%	\$2,321,000	\$2,459,000	\$2,385,300	
\$645,459	\$759,057	\$113,598	17.6%	SUBTOTAL GF-GP TAXES	\$7,646,975	\$7,818,181	\$171,205	2.2%	\$7,605,500	\$7,691,400	\$7,641,400	

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: September 30, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
September		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	August Consensus
Non-Tax Revenue(g)											
\$2,500	\$2,500	\$0	0.0%	Federal Aid	\$30,000	\$30,000	\$0	0.0%	\$66,100	\$30,000	\$35,000
83	83	0	0.0%	Local Agencies	1,000	1,000	0	0.0%	2,900	1,000	2,000
667	667	0	0.0%	Services	8,000	8,000	0	0.0%	17,800	8,000	18,000
1,500	1,500	0	0.0%	Licenses & Permits	18,000	18,000	0	0.0%	55,200	18,000	54,000
0	0	0	na	Investments/Interest Costs	(8,422)	(1,195)	7,228	-85.8%	(22,200)	(80,000)	(68,000)
5,000	5,167	167	3.3%	Misc. Non-tax Revenue	60,000	62,000	2,000	3.3%	76,100	62,000	113,200
10,000	10,083	83	0.8%	Liquor Purchase Revolving Fund	120,000	121,000	1,000	0.8%	139,400	121,000	136,000
3,233	3,233	0	0.0%	From Other Funds-Lottery & Escheats	38,800	38,800	0	0.0%	101,200	38,800	62,300
\$22,983	\$23,233	\$250	1.1%	TOTAL NON-TAX REVENUE	\$267,378	\$277,605	\$10,228	3.8%	\$436,500	\$198,800	\$352,500
\$668,442	\$782,290	\$113,848	17.0%	TOTAL GF-GP REVENUE	\$7,914,353	\$8,095,786	\$181,433	2.3%	\$8,042,000	\$7,890,200	\$7,994,000
School Aid Fund											
\$225,051	\$232,626	\$7,576	3.4%	Sales Tax 4%	\$2,628,626	\$2,696,253	\$67,628	2.6%	2,635,100	2,767,300	2,700,200
178,195	183,287	5,092	2.9%	Sales Tax 2%	2,077,631	2,121,101	43,470	2.1%	2,081,600	2,188,600	2,124,100
37,803	45,719	7,916	20.9%	Use Tax 2%	437,100	465,631	28,531	6.5%	439,100	442,800	461,900
396,971	396,537	(434)	-0.1%	State Education Property Tax	1,541,898	1,794,484	252,586	16.4%	1,824,500	1,859,700	1,854,000
31,839	33,690	1,851	5.8%	Real Estate Transfer Tax	318,029	320,223	2,194	0.7%	317,500	293,000	316,000
55,000	60,000	5,000	9.1%	Lottery Transfer (c)	610,048	609,883	(165)	0.0%	644,900	637,000	641,000
14,953	7,434	(7,519)	-50.3%	Casino Wagering Tax	96,125	101,740	5,615	5.8%	95,800	99,300	98,400
2,546	3,232	686	26.9%	Liquor Excise Tax	29,454	30,660	1,206	4.1%	32,400	31,600	33,500
41,992	46,750	4,758	11.3%	Cigarette/Tobacco Tax	478,844	493,586	14,742	3.1%	485,200	476,300	470,700
20,801	24,560	3,759	18.1%	Indus. & Comm. Facilities Taxes	154,261	141,384	(12,877)	-8.3%	150,200	157,000	133,500
3,699	2,746	(952)	-25.7%	Specific Other	15,741	13,206	(2,535)	-16.1%	15,800	14,800	14,800
155,053	161,736	6,683	4.3%	Income Tax Earmarking	1,861,719	1,918,166	56,447	3.0%	\$1,893,400	\$1,996,500	\$1,992,300
\$1,163,903	\$1,198,318	\$34,415	3.0%	TOTAL SCHOOL AID FUND	\$10,249,475	\$10,706,318	\$456,843	4.5%	\$10,615,600	\$10,963,900	\$10,840,300
\$553,280	\$570,998	\$17,718	3.2%	SALES TAX 6%	\$6,458,674	\$6,614,857	\$156,183	2.4%	\$6,473,500	\$6,800,700	\$6,624,500
375,085	387,711	12,626	3.4%	SALES TAX 4%(e)	4,381,043	4,493,756	112,713	2.6%	4,391,900	4,612,100	4,500,400
178,195	183,287	5,092	2.9%	SALES TAX 2%	2,077,631	2,121,101	43,470	2.1%	2,081,600	2,188,600	2,124,100
113,409	137,158	23,749	20.9%	USE TAX 6%	1,311,299	1,396,892	85,593	6.5%	1,316,500	1,328,600	1,385,600
14,953	10,647	(4,307)	-28.8%	CASINO WAGERING TAX	96,125	145,702	49,577	51.6%	99,455	148,300	147,000
103,685	112,381	8,696	8.4%	TOBACCO TAXES	927,742	1,186,504	258,762	27.9%	992,800	1,177,800	1,164,200
3,036	0	(3,036)	-100.0%	TOBACCO SETTLEMENT	276,310	274,327	(1,983)	-0.7%	na	na	na
192	(301)	(493)	na	CIGARETTE INVENTORY TAX	28,345	(301)	(28,646)	na	na	na	na

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: September 30, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
September		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	August Consensus
Major Transportation Revenues											
\$7,200	\$12,422	\$5,221	72.5%	Diesel Fuel / Motor Carrier Fuel Tax (h)	\$142,574	\$145,433	\$2,860	2.0%	\$140,492	\$162,600	\$145,000
80,362	84,825	4,462	5.6%	Gasoline	927,898	928,162	264	0.0%	932,764	968,000	929,000
65,687	62,887	(2,800)	-4.3%	Motor Vehicle Registration	930,346	857,220	(73,126)	-7.9%	934,309	830,800	857,000
6,327	(3,459)	(9,786)	na	Other Taxes, Fees & Misc.	73,063	59,835	(13,228)	-18.1%	197,237	219,736	203,889
5,810	5,821	11	0.2%	Comprehensive Transportation (d)	69,716	69,846	130	0.2%	70,117	69,846	56,546
\$165,387	\$162,494	(\$2,892)	-1.7%	TOTAL MAJOR TRANS. REVENUES	\$2,143,596	\$2,060,496	(\$83,100)	-3.9%	\$2,274,919	\$2,250,982	\$2,191,435
Lottery Sales By Games (c)											
51,913	49,702	(2,212)	-4.3%	Instant Games	682,225	655,630	(26,596)	-3.9%	na	na	na
55,558	50,114	(5,444)	-9.8%	Daily Games	727,771	705,020	(22,751)	-3.1%	na	na	na
19,493	34,395	14,902	76.4%	Lotto and Big Game	302,603	305,816	3,213	1.1%	na	na	na
1,049	1,044	(5)	-0.5%	Keno Game	14,755	13,369	(1,386)	-9.4%	na	na	na
0	0	0	na	Changeplay Game	88	0	(88)	-100.0%	na	na	na
22,389	28,221	5,832	26.1%	Club Games	227,017	365,966	138,949	61.2%	na	na	na
\$150,402	\$163,476	\$13,074	8.7%	TOTAL LOTTERY SALES	\$1,954,461	\$2,045,802	\$91,341	4.7%	na	na	na

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b Statutory and Consensus Estimates have been adjusted to include the Tobacco tax increase (PA 164 of 2004) and Casino Tax Increase (PA 306 of 2004).

c The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

d The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

e 2% collections adjusted to reflect exemption on residential utilities.

f Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

g Non-tax revenue estimates other than interest are estimates. Federal aid total does not include the \$169 million in federal aid from federal stimulus bill in FY 2004.

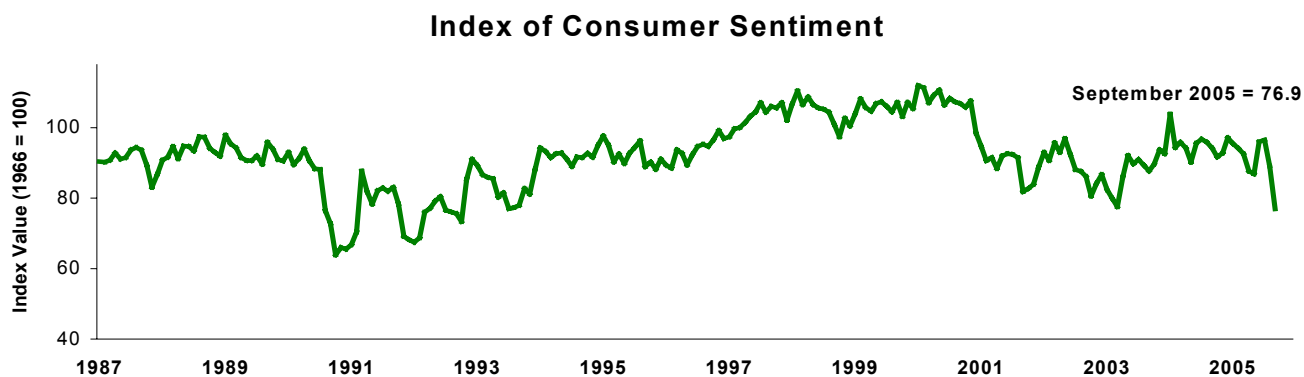
h Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 76.9 in September, 12.2 index-points below the August value and 17.3 index-points below September 2004. On the sharp decline in September, Survey director Richard Curtin reported, “The September decline of 12.2 points equaled the largest monthly decline recorded since 1990. While the rapid decline was concentrated in the first half of September, there was no indication of a quick snap-back in consumer confidence later in the month. Indeed, given the outlook for prices in gasoline and natural gas, it is unlikely that consumer confidence will fully recover anytime soon.” Comparing other declines, Curtin noted that, “the most comparable past plunge in confidence was due to a steep rise in gas prices following the Iraqi invasion of Kuwait – recording similar declines (12.2 versus 11.8) and levels (76.9 versus 76.4), with consumers expecting a steep rise in inflation and falling real incomes.” Curtin observed, “There is only one instance where a relatively large two-month decline did not result in a recession – the 10.5 decline after the 1987 stock market crash.” In September, consumers in all four regions reported a decrease in confidence. Midwestern consumers reported the largest decrease in confidence of 15.8 index-points, followed by Northeastern consumers (14.0 index-points) and Southern consumers (10.2 index-points). Western consumers reported the smallest decrease of 9.5 index-points. The gap across regions increased from last month to 8.4 index-points, with Western consumers on top and Midwestern consumers on the bottom.

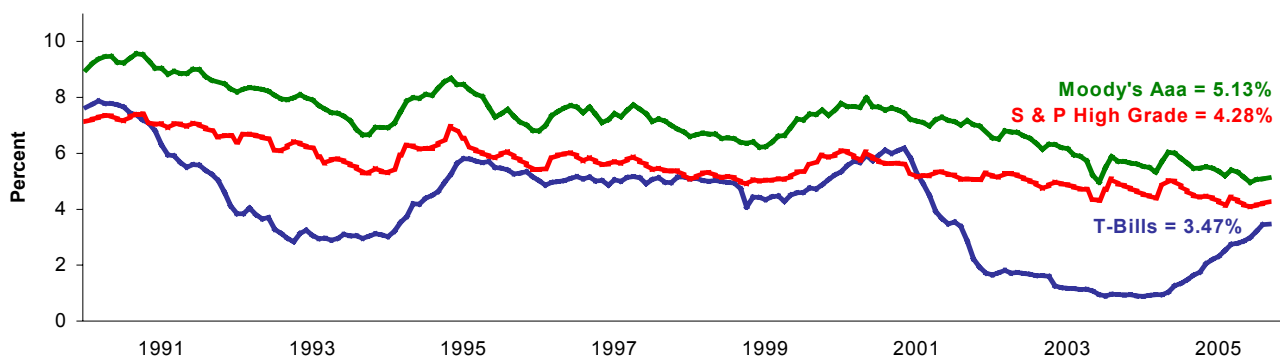
The revised estimate of real **Gross Domestic Product** for the second quarter of 2005 is \$11,089.2 billion (chained 2000 dollars), an increase of 3.3 percent at an annual rate. In the first quarter of 2005, real gross domestic product increased 3.8 percent. Personal consumption expenditures, exports, equipment and software, residential fixed investment and government spending led second quarter growth. Imports, which are a subtraction in the calculation of GDP, decreased. Real personal consumption expenditures increased 3.4 percent in the second quarter compared to an increase of 3.5 percent in the first quarter. Real residential fixed investment increased 10.8 percent in the second quarter compared to an increase of 9.5 percent in the first quarter. Real nonresidential fixed investment increased 8.8 percent in the second quarter led by increased investment in equipment and software of 10.9 percent. Real federal government expenditures increased 2.4 percent in the second quarter, the same as in the first quarter. Real state and local government spending increased 2.6 percent in the second quarter compared to a 1.6 percent increase the first quarter. Exports of goods and services increased 10.7 percent in the second quarter, compared to a 7.5 percent increase in the first quarter. Imports decreased 0.3 percent in the second quarter compared to an increase of 7.4 percent in the first

quarter. Private inventory investment fell \$1.7 billion in the second quarter, down from a \$58.2 billion increase in the first quarter. Real final sales increased at a 5.6 percent rate in the second quarter compared to a 3.5 percent rate in the first quarter. On the inflation front, the **implicit price deflator** measure estimate increased at a 2.6 percent annual rate in the second quarter, compared to an increase of 3.0 percent observed in the first quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 1.2 percent in September, up from 0.5 percent in August. Energy increased substantially by 12.0 percent in September; compared to a 5.0 percent increase in August, while the all-items less food and energy component increased 0.1 percent. Energy prices affected by Hurricane Katrina were responsible for 90 percent of the increase in the September CPI. For the six months since March, the all-items index increased at a 5.6 percent annual rate.

Compared to September 2004, the all-items index increased 4.7 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.5 percent; housing, 3.1 percent; medical care, 3.9 percent; recreation, 1.0 percent; education and communication, 2.1 percent; and other goods and services, 2.8 percent, with tobacco prices up 5.6 percent; transportation 14.5 percent, with gasoline prices up 54.8 percent. The unadjusted decreases from one year ago were: apparel, 0.6 percent.

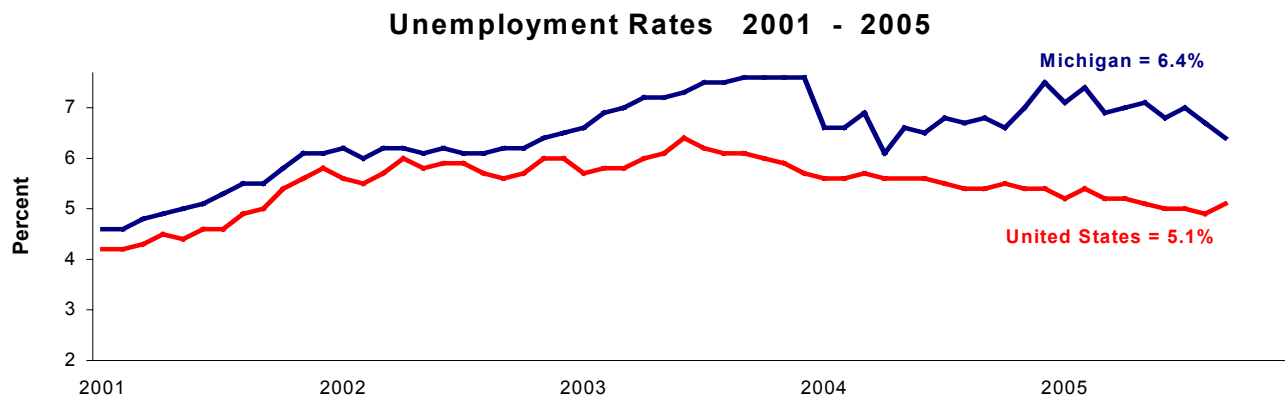
Selected Key Interest Rates



Source: Economic Indicators

Short-term **interest rates** increased 0.02 percentage points in September as the 3-month Treasury bill (T-bill) rate averaged 3.47 percent. Compared to one year ago, the T-bill rate is up 1.82 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.04 percentage points to an interest yield of 5.13 percent in September. Compared to one year ago, the Aaa bond yield is down 0.33 percentage points. The interest rate on High-grade municipal bonds increased 0.07 percentage points to 4.28 percent in September, and stands 0.21 percentage points below its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its September 20th meeting to 3.75 percent. The FOMC stated that while Hurricane Katrina and its aftermath has increased uncertainty about near-term economic performance, it is their view that it does not pose a persistent threat to economic activity. The FOMC continues to believe that, "monetary policy accommodation, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. Core inflation has been relatively low in recent months and longer-term inflation expectations remain well contained." The FOMC perceives that, with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal. The committee believes that, "policy accommodation can be removed at a pace that is likely to be measured."

In September, the **U. S. unemployment rate** increased 0.2 percentage points from a month ago to 5.1 percent and was down 0.3 percentage points from one year ago. Civilian employment totaled 142.4 million persons in September, down slightly (17 thousand) from August. The number of unemployed was 7.7 million nationwide.

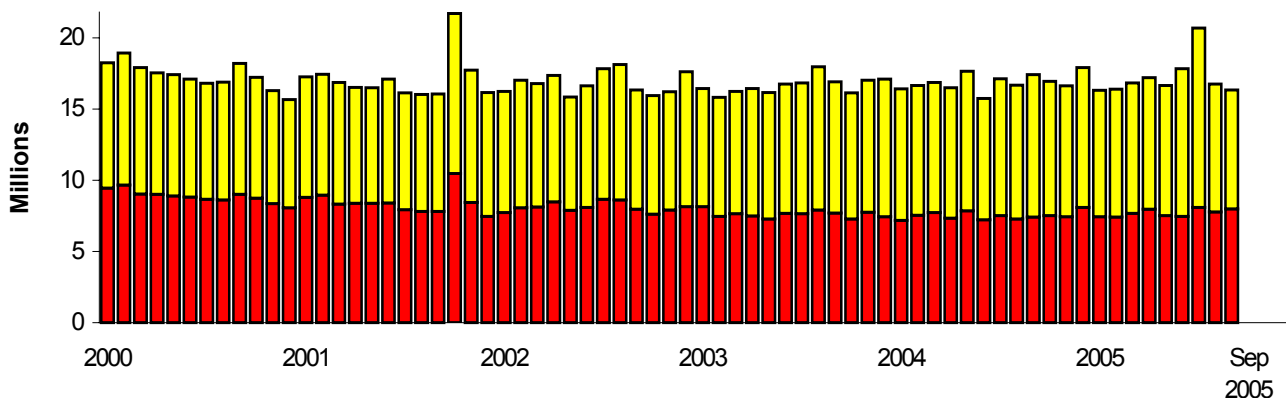


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In September, the **Michigan jobless rate** decreased 0.3 percentage points to 6.4 percent. Compared to a year ago, Michigan's jobless rate was 0.7 percentage points lower. From a month ago, the labor force increased by 20,000 to 5,126,000, while the number of people employed increased by 36,000 to 4,798,000. In September, there were 328,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.7 percent may be a better measure of actual conditions.

Motor Vehicle Sector

U. S. Light Vehicle Sales



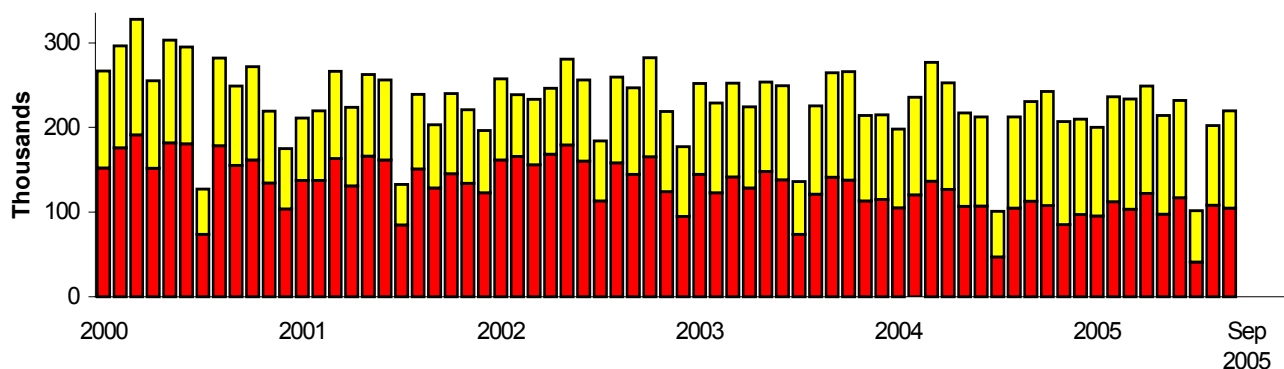
Source: Bureau of Economic Analysis

■ Cars ■ Lt Trucks

U. S. light vehicle sales (cars + light trucks) decreased 0.4 million units in September selling at a 16.3 million unit seasonally adjusted annual rate. Domestic car sales increased 2.5 percent while domestic light truck sales decreased 6.4 percent. Import car sales increased 3.0 percent while import light truck sales decreased 10.0 percent. Compared to last year, light vehicle sales decreased 6.2 percent. Domestic car sales were up 8.2 percent while domestic light truck sales decreased 17.2 percent. Import car sales were up 6.8 percent while import truck sales fell 11.8 percent from last year. As a result, the domestic share decreased 1.2 percentage points from a year ago. For fiscal year 2005, domestic light vehicles have recorded a 79.8 percent share of a 17.2 million-unit market.

Michigan motor vehicle production increased to 219,679 units in September. From a year ago, motor vehicle production decreased 5 percent in Michigan but rose 5 percent nationally. In September, Michigan's car production was 104,754 units while the state's truck production was 114,925 units. Compared with a year ago, car production fell 7 percent in Michigan and remained unchanged nationwide. The state's truck production decreased 2 percent while national truck production rose 8 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



Source: Economic and Revenue Forecasting Division

■ Cars ■ Trucks

**Summary Estimates of the Constitutional Revenue Limit
Based on the August 17, 2005 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2002-2003 Actual	Fiscal Year 2003-2004 Actual	Fiscal Year 2004-2005 Estimate
Applicable Calendar Year Personal Income	\$297,609	\$303,745	\$314,460
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
State Revenue Subject to Limit	\$24,061.6	\$24,384.7	\$24,652.6
Amount Under (Over) Limit	\$4,181.5	\$4,440.7	\$5,189.6

Sources:

Personal Income Estimate

The FY 2002-03 calculation uses the official personal income estimate for calendar year 2001 (Survey of Current Business, October 2002).

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

Revenue Subject to the Limit

The FY 2002-03 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2003.

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the August 17, 2005 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury